

~~SECRET~~

Approved For Release 2004/06/24 : CIA-RDP79-00927A000100150001-6

~~CONFIDENTIAL~~

309
OCI NO. 9465

11 September 1953

CURRENT INTELLIGENCE WEEKLY



DOCUMENT NO. 16
NO CHANGE IN CLASS. ☐
☐ DECLASSIFIED
CLASS. CHANGED TO: TS S 01981
NEXT REVIEW DATE:
AUTH. 7-23-71
DATE: 7-23-71 REVIEWER:

25X1

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

~~SECRET~~

25X1

~~CONFIDENTIAL~~

STATE review(s) completed.

Approved For Release 2004/06/24 : CIA-RDP79-00927A000100150001-6

~~SECRET~~~~CONFIDENTIAL~~

SUMMARY OF CONTENTS

THE SOVIET WORLD Page 4

ITALO-YUGOSLAV MANEUVERING OVER TRIESTE Page 6

The Yugoslav and Italian governments are taking increasingly adamant attitudes in their current dispute over Trieste. Tito has abandoned previous compromise suggestions, and Italy is attempting to obtain further concessions in Zone A.

IMPLICATIONS OF THE SOVIET-EAST GERMAN PROTOCOL OF
23 AUGUST Page 8

The Soviet-East German protocol issued in Moscow on 23 August is the latest in a series of Soviet moves to improve economic conditions in East Germany and thus to strengthen the unpopular puppet regime.

CHINA'S SEAT IN THE UN Page 10

A Soviet attempt to seat the Peiping regime in the UN in the early days of the General Assembly's eighth session is expected to fail. Some nations may shift their positions, however, and a later bid may be successful.

BOLIVIAN GOVERNMENT FACES CRISIS Page 12

As the Bolivian economic crisis caused by domestic inflation and the low world price for tin is becoming more serious, the Nationalist Revolutionary Movement (MNR) faces its most severe test since gaining power through the April 1952 revolution.

SWITZERLAND LIMITS CONCESSIONS TO US ON EAST-WEST TRADE
CONTROLS Page 14

Despite some concessions in the current talks with the United States, indications are that Switzerland will continue to be a major loophole in the Western strategic trade control program.

2

~~SECRET~~~~CONFIDENTIAL~~

~~SECRET~~

25X1

RACE PROBLEM DOMINATES NEW CENTRAL AFRICAN FEDERATION . Page 16

The federation on 6 September of the British African areas of Nyasaland and Northern and Southern Rhodesia is likely to increase basic racial tensions in Central Africa. (SEE MAP)

SECRET

~~SECRET~~

25X1

THE SOVIET WORLD

Dispatches from Moscow which cleared Soviet censorship last week said diplomatic observers there expect the USSR to reject the latest Western invitation to discuss German and Austrian problems. American officials in Berlin believe that the USSR may attempt to avoid a four-power conference by pretending that no acceptable solution of the German question is possible unless the Germans are allowed from the beginning to participate in a peace conference. The East German press reaction to the Allied notes emphasized that the German problem cannot be negotiated over the heads of the German people.

The Soviet Union used a Western suggestion that inter-zonal passes be abolished in Germany as an excuse for reiterating its proposal for an East-West German meeting. Soviet high commissioner Semenov pointed out that in addition to taking up the pass question, such a meeting could prepare the way for the solution of "still other questions in connection with the restoration of a unified Germany."

With respect to Korea, on 3 September Pravda reported that as a "first step" the USSR had decided on the reconstruction of certain major industrial enterprises in North Korea. This plan appears to be a return to the prewar Soviet role of directing North Korean investment and supervising industrial production and foreign trade. Moscow's emphasis on heavy industry was designed to meet its own requirements, which in the long run conflicted with the needs of North Korean development of a more balanced and self-sufficient economy.

The principal feature of the Malenkov-Mao and Molotov-Chou messages exchanged on the eighth anniversary of the defeat of Japan was the Chinese statement that the Korean peace "will aid the efforts of the Japanese people who are demanding the establishment of normal relations with the countries of the Far East in order to prevent the regeneration of Japanese imperialist aggression." This remark was along the same line as Malenkov's statement on normalizing Soviet diplomatic relations and supports the view that the Communists aim to exert pressure on the Yoshida government to initiate such action.

~~SECRET~~

~~SECRET~~

25X1

In line with Malenkov's 8 August contention that Soviet efforts would be directed toward the "strengthening of friendly cooperation with the Arab states," S. S. Nemchina was appointed as Soviet ambassador to Syria replacing V. A. Belyayev, who has been minister to both Syria and Lebanon since early 1951. The fact that Belyayev was relieved only of his assignment to Syria may mean that Moscow intends to have diplomatic missions in both countries. Such a decision may be an attempt to regain the prestige the Kremlin lost with the Arabs when it resumed diplomatic relations with Israel.

Soviet comment on Indochina on the occasion of the eighth anniversary of the establishment of the "Democratic Republic of Vietnam" indicates Moscow's growing concern over recent warnings by American leaders regarding Chinese Communist intervention and increased US support for expanded French and Vietnamese military operations. This propaganda, which calls for a negotiated settlement of the war, also represents an attempt to counter the favorable effects of recent French concessions to the Associated States.

~~SECRET~~

~~SECRET~~

25X1

ITALO-YUGOSLAV MANEUVERING OVER TRIESTE

The Yugoslav and Italian governments are becoming increasingly adamant in their dispute over Trieste. On 6 September Tito abandoned previous compromise suggestions and took a more extreme stand in order to strengthen his bargaining position. Italy is attempting to use the situation to force the US and Britain to give it further concessions in Zone A.

Tito has reverted to an uncompromising position by proposing that the city of Trieste be internationalized and that the remainder of the Free Territory go to Yugoslavia. By publicly abandoning previous suggestions for a condominium or a division of the territory, he evidently hopes to prevent further Western concessions to Italy in Zone A. At the same time, these moves are intended to strengthen his bargaining position and improve the chances of pushing the US and Britain into imposing a new solution on Italy. It is possible that he even hopes to get Zone A internationalized. If he does not attain such an objective, he can continue in virtual possession of Zone B and employ the threat of annexation to block concessions to Italy in Zone A.

The Yugoslav leaders fear that the United States will attempt to strengthen the Italian center parties at the expense of Yugoslav interests in the Free Territory. Also, they have demonstrated growing anger at increasing discrimination against the Slovenes in Zone A, which they claim is tacitly approved by the Allied Military Government.

Tito believes that he is in a strong position at this moment. In addition to his occupying Zone B, Yugoslav-Western military collaboration is becoming a reality. The Western powers have implied that this collaboration is of paramount importance. The British are anxious to end their occupation burdens in Trieste, and they have favored the Yugoslav position in the give and take over Trieste. At the same time, Tito fears that the Soviet-inspired trend toward a relaxation of the war threat in Europe will reduce the advantage he derives from his country's strategic importance.

~~SECRET~~

~~SECRET~~

25X1

The immediate and unofficial Italian reaction to Tito's new stand was sharply unfavorable, and Pella is expected to reiterate his previous firm stand in a speech scheduled for 13 September. The crisis began on 29 August when Pella seized on press reports hinting at a new Yugoslav demand for a larger share of the Free Territory and ordered a special military alert including minor military moves.

On 3 September, Pella told Ambassador Luce that he was still looking toward a solution based on a plebiscite and the establishment of a continuous ethnic line. He did not, however, rule out a provisional solution in which Italy would assume the occupation and administration of Zone A, without relinquishing its claim to Zone B.

Tito apparently recognizes that the current dispute would become dangerous if he took military countermeasures against alleged Italian troop movements. To date, no Yugoslav troops have been moved to the frontier from other areas, and in his 6 September speech, Tito implied that none will be moved unless there is an Italian-inspired incident.

Italy insists that its only troop movements since 29 August have been the concentration of an artillery regiment and a move by two troops of cavalry, both within the area immediately adjacent to Yugoslavia.

The present danger spot seems to be Trieste itself, where pro-Italian elements may riot either spontaneously or in response to orders from Rome.

25X1

~~SECRET~~

~~SECRET~~

25X1

IMPLICATIONS OF THE SOVIET-EAST GERMAN PROTOCOL OF 23 AUGUST

The Soviet-East German protocol issued in Moscow on 23 August is the latest in a series of Soviet moves to improve economic conditions in East Germany and thus to strengthen the unpopular puppet regime. While the new concessions, aimed at an immediate improvement of the consumer goods supply situation, appear on the surface to be generous and substantial, their long-range impact on the East German economy depends on the degree to which they are implemented.

The provisions of the protocol could result in an appreciable improvement in the East German standard of living. The granting of 485 million rubles in credit, including 135 million in hard currency, should contribute to an early enhancement of the consumer goods supply but not at the expense of heavy industry.

Soviet occupation costs are to be reduced to five percent of the East German budget in any given year, and will amount to no more than 1.8 billion marks. On the surface, this appears very generous compared with the West German occupation cost burden of 42.2 percent of the budget. However, this comparison is misleading since the East German budget includes many large items connected with the operation of the nationalized industries that have no counterpart in West Germany. A more realistic comparison of East and West German occupation burdens would be on the basis of the respective gross national products, revealing that the costs in both parts of Germany have in the past been roughly equal.

It is estimated that the Soviet Union has taken each year 4.5 billion marks from the East German economy. Under the new arrangement, payments to the USSR should not exceed 2 billion marks, including contributions to the operation of Wismuth AG, the uranium mining operation which has been converted into a joint stock company.

The benefits of the concessions to East Germany may be limited by the continued flow in the form of exports to the USSR and the Satellites of machinery, precision instruments and optics which had formed the bulk of reparations. This will not be a boon to East Germany's foreign trade since there is considerable evidence that the Soviet Union receives the benefits of preferential price treatment on these items which otherwise would probably go to Western markets.

~~SECRET~~

~~SECRET~~

25X1

The immediate Soviet aim in East Germany appears to be the bolstering of the present regime. There is no evidence that a change in the status quo is contemplated or that the policy of Sovietization has been abandoned. Some improvement in the consumer goods situation can be anticipated, but it is not to be expected that consumer goods production will be stepped up at the cost of crippling cuts in heavy industry.

The concessions fall far short of the East German popular demand for political liberation, and it is not expected that the various conciliatory gestures will win any friends for the Soviet Union. It is doubtful that anything done by the Soviet Union would alter the East Germans' basic hostility. Unrest and discontent will continue to be a part of the East German scene, but prospects are poor for the overthrow of the regime in the face of Soviet armed might.

SECRET

~~SECRET~~

25X1

CHINA'S SEAT IN THE UN

A Soviet attempt to seat the Peiping regime in the UN in the early days of the General Assembly's eighth session is expected to fail. Several nations opposed to Peiping's admission at this time, however, may shift their positions in the course of the Korean political conference. A later bid, therefore, might succeed in the General Assembly.

Soviet delegate Vyshinsky has stated publicly that the USSR will raise the issue of seating Communist China in the UN at the forthcoming session of the General Assembly. He will have the support of the Eastern European Satellites, Yugoslavia, Afghanistan, Burma, India, Indonesia, Pakistan, and possibly a few of the Scandinavian and Latin American countries. As in the past, however, the USSR will probably fail to get the necessary two-thirds of members present and voting.

Many non-Communist nations supporting the American position at this time, however, may change their attitude during or after the Korean political conference. The United Kingdom, for example, has declared that Peiping should receive UN membership "when the time is ripe," and plans to move a weakened moratorium resolution that would permit the General Assembly to take up the issue of Chinese representation depending on developments at the political conference. Certain other Western European governments are expected to follow the British lead.

France would probably favor membership for Peiping in return for a Chinese guarantee of noninterference in Indochina. Israel, in the event of a Western split, would probably abstain. The Arab nations have generally abstained in previous votes on East-West issues and have displayed an increasingly independent attitude on major issues in recent months.

Three Latin American countries may favor Peiping's bid. Argentina's decision will depend on a last minute appraisal of the problem. The Guatemalan and to a lesser extent the Bolivian governments are under domestic pressure to support the Communist position.

Continued opposition to the admission of Peiping is expected from most of the Latin American nations and from

~~SECRET~~

~~SECRET~~

25X1

Nationalist China, Greece, Turkey, the Union of South Africa, Thailand and the Philippines. A solid stand by this group would preclude a two-thirds vote for Peiping, but some of the governments may be induced to abstain, thus lowering the number of votes required by the Communists.

There is as yet no indication that either Moscow or Peiping views Communist China's admission to the UN as sufficiently important to justify substantial concessions on other issues at the political conference. Should they nevertheless, for larger considerations, take a conciliatory position on the main agenda questions, the atmosphere will be favorable for them to make another bid for China's seat, a question which might even be introduced in the political conference itself. The "et cetera" in the draft agreement was inserted as a compromise after the UN Command refused to include the explicit questions of China's seat in the UN and the status of Formosa.

If there is an early Communist failure to seat Peiping in the UN, Vyshinsky can bring the question up again, perhaps concurrently with discussion of the matter in the political conference. Although the General Assembly may again adopt a resolution that the question cannot be reconsidered in the current session, such a ban could be revoked by a two-thirds vote. Should the political conference lead to an agreement, the Communists might succeed in getting the necessary two-thirds vote both to revoke the prohibitory clause and to seat Peiping.

~~SECRET~~

~~SECRET~~

25X1

BOLIVIAN GOVERNMENT FACES CRISIS

The Bolivian Nationalist Revolutionary Movement (MNR) in the coming months will face its most severe test since it gained power through the April 1952 revolution. The economic crisis caused by domestic inflation and the very low world price for tin is becoming more severe. At the same time, the government's political stability is threatened both by increased Communist influence, now concentrated on the new agrarian reform program, and by possible MNR defections to support a rightist coup.

Following the signature in June and July of compensation agreements with the three Bolivian mining companies nationalized last October, Bolivia began negotiations with the United States for a one-year tin contract at world prices. Though the United States normally takes about half of Bolivia's tin, the indicated earnings from this contract will not resolve the financial crisis. World tin prices have dropped from the 1951 high of \$2.01 a pound to \$0.79. This, plus some decline in production, confronts Bolivia with a deficit in this year's foreign exchange budget of about \$15,000,000, or 14.7 percent of its total foreign expenditures.

The exchange deficit creates a dilemma in that supplies to keep the mines operating as well as over half of Bolivia's food requirements must be imported, and the country does not have sufficient foreign funds for both. Fewer mining supplies imported this year would mean lower production and hence less foreign exchange earnings for next year's food imports. American officials in La Paz therefore believe that famine is an almost inevitable consequence of current economic trends. Moreover, food production in 1953 is likely to be further reduced by the new agrarian reform program.

This program, as announced in preliminary form by President Paz on 2 August, is not confiscatory in that, while decreeing higher wages for agricultural labor, it includes some protection for the rights of landowners. Further provisions still under study reportedly aim at depriving large landholders of acreage not in actual use.

~~SECRET~~

~~SECRET~~

25X1

A much more extreme set of measures, featuring outright expropriation of land and control of the program by agrarian syndicates, has been urged by the confederation of trade unions, the powerful Bolivian Labor Central (COB), and it is possible that a number of the existing syndicates may decide to follow the COB's plan rather than the government's. Various Indians, their expectations raised to impossible heights by Communist agitators, have already seized and murdered landowners, mostly in the rich Cochabamba Valley, 285 miles southeast of the capital.

Communist influence seems to be growing in Bolivia, regular party membership having risen from about 100 when the party was formally organized in May 1950 to an estimated 2,000 last July with an even larger number of sympathizers. There is also a Trotskyite party of about the same size and reportedly growing. The increase in Communist influence in recent months has been particularly marked in the COB and the agrarian syndicates, where the Communist Party and Trotskyites are now cooperating to push extremist measures such as enlarging the COB's armed militia. Communists are also suspected of having brought about the recent rejection of eight scholarships offered under the Point IV program to bring Bolivian labor leaders to the United States.

In an apparent effort to gain control over important peasant leaders and to undercut Communist influence in the syndicates, the government organized a National Confederation of Rural Labor in late July. Since the August decree, however, further disturbances have occurred, and a few local officials in a region near Lake Titicaca have been kidnapped by members of some of the agrarian syndicates. Most of the Indians are armed and reportedly control virtually all territory outside of the departmental capitals, rendering local authorities powerless.

Meanwhile, this agrarian unrest has accentuated the cleavage within the MNR itself, since its right wing includes various large landowners. Some rightist members of the party collaborated with the Socialist Falange's abortive coup last January,

25X1

~~SECRET~~

~~SECRET~~

25X1

SWITZERLAND LIMITS CONCESSIONS TO US ON EAST-WEST TRADE CONTROLS

Swiss arguments of neutrality as a basis for continuing strategic exports to the Orbit at established postwar levels suggest that Switzerland will continue to be a major loophole in the Western strategic trade control program. Although the country has made some concessions in the current talks with the United States, the American embassy in Bern believes that the Swiss will make further adjustments in their controls only reluctantly and infrequently.

Swiss shipments of List I and II items for the first six months of 1953 totalled \$1,300,000 and \$2,300,000 respectively, as compared to figures of \$4,000,000 and \$32,000,000 for all known similar shipments from the 13 nations participating in COCOM during that period. Switzerland's unfavorable showing in these statistics springs largely from the fact that its exports normally consist of a much higher proportion of strategic goods, such as electrical equipment, precision instruments, and milling machines, than do the exports of the COCOM countries. In addition the Swiss have some grounds for their statements that while others may "promise" strategic trade controls, they "enforce" those which they agree to.

The American objective in the present discussions is to get the Swiss to adjust the trade controls they first accepted in 1951 to the changes made in COCOM controls since then. Thus far they have agreed to abide by COCOM regulations for most of the items on Lists I and II as revised through 30 April 1953. They have refused, however, to embargo nine List I items including tungsten wire, VHF radio relay equipment, and grinding wheels, although they have promised to limit the export of these items.

The Swiss have also refused to consider at this time controls on their trade with Communist China. The minister of commerce, however, has promised informally to prevent the shipment of List I and List II goods to the Chinese Communists.

Regarding the considerable volume of strategic shipments through Switzerland and the East-West trade financing activities within the country, the Swiss have recently indicated a growing willingness to cooperate with the West.

~~SECRET~~

SECRET

25X1

Swiss police have cracked down on notorious illegal East-West traders. Private business groups, with the tacit support of the government, have taken some steps to prevent the abuse of their facilities for the diversion of shipments. The actual adoption of transit and transshipment controls by the Swiss government, however, is unlikely at best and extremely so as long as various COCOM members refuse to enforce effective restrictions.

SECRET

~~SECRET~~

25X1

RACE PROBLEM DOMINATES NEW CENTRAL AFRICAN FEDERATION

The federation of the British African areas of Nyasaland and Northern and Southern Rhodesia, which went into effect on 6 September, was planned by Great Britain as the first step in the development of a multiracial central African state. In effect, however, the new arrangement will permit a white minority to dominate to an increasing extent an overwhelming black majority with a consequent increase in basic racial tensions throughout central Africa.

Federation links the self-governing colony of Southern Rhodesia with Nyasaland and Northern Rhodesia, which are controlled by the British Colonial Office (see map, p. 19). The three territories will retain their internal administration and responsibility to the appropriate British secretary of state, but a central legislature will deal with subjects of common interest such as finance, immigration, customs, defense and development planning. The constitution calls for a review of the situation after ten years to determine whether full independence within the Commonwealth should be granted or whether the federation should be broken up into its component parts.

The plan for federation was promulgated as a calculated risk by the British government with the hope that the white settler minority would establish a multiracial state. The plan offers many advantages, especially for the economic development of the territory. If, contrary to present indications, it fulfilled British aims and offered the African majority the opportunity of leadership, it might prove to be the answer to the racial tension gripping black Africa.

The British government, whose past suspicion of settler intentions regarding the natives has been a strong factor in refusing closer association of its central African territories, has included three main provisions in the federation plan to safeguard native interests. Continued Colonial Office influence in Nyasaland and Northern Rhodesia is assured by the proviso that control over internal native affairs is to be retained by the individual territories. Twenty percent of the membership of the central legislature is reserved for African representatives, despite earlier Southern Rhodesian objections. A bi-racial African Affairs Board has also been created and has the authority to refer to London any legislation which might increase racial discrimination.

~~SECRET~~

The Europeans, however, who number only three percent of the population, dominate the region's economic, political and social life, especially in Southern Rhodesia. Few are now willing to encourage African participation in politics, and the political parties of the new state are shaping their most important policies on white racial attitudes. The Federal Party, which is expected to form the first federal government, favors the traditional Southern Rhodesian policy of regarding the European as the senior partner. It believes, however, in the eventual acceptance on equal terms into political and economic life of Westernized Africans, though it favors permanent social segregation.

The Confederate Party, led by many of the former white antifederationists, favors a more rigid type of segregation and calls for a division of central Africa into separate black and white areas--the most productive being reserved for the whites. Only the small, liberal Progressive Party advocates the eventual acceptance of Africans as equals. It seems doubtful, therefore, that the white majority of the area's electorate will justify the hopes placed on it by the British government.

Many of the articulate native leaders were able at the time of the Southern Rhodesian referendum in the spring of 1953 to create general opposition to federation among the normally apathetic native population. As educational facilities improve and more natives become urbanized and politically conscious, they may be expected to demand proportionate participation in the government, challenging the European position of dominance.

Evidences of unrest have become more numerous. Native leaders have threatened strikes and violence if federation were imposed in disregard of native wishes. In Nyasaland, which is a labor reservoir for neighboring regions, tribal chiefs have declared that their men are no longer to be recruited for employment in South Africa and Southern Rhodesia, and already Johannesburg gold mine recruits have dropped from 700 to 300 per week. Nyasa workers also are deserting the farms of labor-scarce Southern Rhodesia.

The present tension is demonstrated by the sabotage of communications, erection of road blocks, and threats to Europeans by armed natives, which appear to be organized disturbances of the type favored by the Nyasaland African Congress. These troubles have necessitated the dispatch of police and air units to Nyasaland to prevent the spread of disorder.

~~SECRET~~

25X1

~~CONFIDENTIAL~~

In the long run, native distrust and hostility toward European leadership arising from economic discrimination, social segregation, and political restriction will probably threaten the stability of white government in the region. Present European settler reaction gives little hope for the basic reversal of racial attitudes necessary to allay native suspicions.

~~SECRET~~

~~CONFIDENTIAL~~

